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BLOG

OFAC Announces Conclusion of 90-Day Wind Down Period for Sanctions on Iran's Iron, Steel, Aluminum, and Copper Sectors

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On August 6, 2019, the 90-day wind-down period expired for transactions with Iran's iron, steel, aluminum, and copper sectors, which were sanctioned under Executive Order 13871, "Imposing Sanctions with Respect to the Iron, Steel, Aluminum, and Copper Sectors of Iran" (the Executive Order).

Sanctions on Iran's Iron, Steel, Aluminum, and Copper Sectors
The Executive Order, which the President issued on May 8, 2019, specifically targeted non-U.S. entities engaged in metals trade with Iran—even with no U.S. touchpoint. U.S. businesses have long been prohibited from direct or indirect dealings with Iran or Iranian origin goods, services, or technology. Persons involved in the steel, copper, iron, or aluminum sectors of Iran, and those who take part in a "significant transaction[1]" involving those sectors, will be subject to blocking sanctions. In addition, foreign financial institutions (FFIs) will be subject to correspondent and payable-through account sanctions if it is determined that the FFI knowingly conducted or facilitated any significant financial transaction relating to Iran's steel, copper, iron, or aluminum sectors. Correspondent and payable-through account sanctions prohibit or severely restrict U.S. banks from opening or maintaining U.S. accounts for FFIs.

Under Section 7 of the Executive Order, the authorized sanctions do not apply to transactions for the conduct of the official business of the U.S. Government or the United Nations (including its specialized agencies, programs, funds, and related organizations) by employees, grantees, or contractors thereof.

The 90-Day Wind-Down Period
On May 8, 2019, simultaneous with the President's announcement of the Executive Order, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) announced a 90-day wind-down period. This wind-down period applied to persons engaged in transactions that could be sanctioned under the Executive Order. OFAC's Frequently Asked Questions (FAQs) advised such persons to take the necessary steps to wind down transactions by the end of the 90-day period to avoid exposure to sanctions. The FAQ also noted that the wind-down period did not allow persons to enter into new business that would be subject to sanctions under the Executive Order. This activity could be sanctioned even during the wind-down period. With the wind-down period officially ending on August 6, all significant transactions with Iran's aluminum, copper, iron, and steel sectors are now subject to U.S. sanctions enforcement.

Recommendations
U.S. businesses were already subject to prohibitions on the activity covered by the Executive Order. Non-U.S. businesses, if they have not done so already, should carefully review their activities that involve 1) Iran's aluminum, copper, iron, or steel sectors and 2) the purchase, acquisition, sale, transport, or marketing of aluminum, aluminum products, copper, copper products, iron, iron products, steel, or steel products, to or from Iran, to determine which activities expose them to sanctions risk.

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[1] According to OFAC's Frequently Asked Questions on Iran, OFAC determines if a transaction is "significant" by considering the totality of the facts and circumstances set forth in a list of broad factors, including: (a) the size, number, and frequency of the transactions; (b) the nature of the transactions, including their type, complexity, and commercial purpose; (c) the level of awareness of management and whether the transactions are part of a pattern of conduct; (d) the nexus of the transactions and blocked persons; (e) the impact of the transactions on statutory objectives; (f) whether the transactions involve deceptive practices; . . . and (h) other relevant factors that the Secretary of the Treasury deems relevant. U.S. Dep't of Treas., OFAC, *OFAC FAQs: Iran Sanctions* no. 671, *available at* https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx#671.
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